

TRANSACTIONS OF U.S. AFFILIATE, EXCEPT A U.S. BANKING AFFILIATE, WITH FOREIGN PARENT

Purpose – Reports on this form are required in order to provide reliable and up-to-date information on foreign direct investment in the United States for inclusion in the U.S. international transactions accounts and the national income and product accounts.

Authority – This survey is being conducted under the International Investment and Trade in Services Survey Act (P.L. 94-472, 90 Stat. 2059, 22 U.S.C. 3101-3108, as amended – hereinafter "the Act"), and the filing of reports is MANDATORY pursuant to Section 5(b)(2) of the Act (22 U.S.C. 3104). The implementing regulations are contained in Title 15, CFR, Part 806.

The Office of Management and Budget has approved this survey under the Paperwork Reduction Act (44 U.S.C. 3501 et seq.).

Penalties – Whoever fails to report may be subject to a civil penalty not less than \$2,500, and not more than \$25,000, and to injunctive relief commanding such person to comply, or both. Whoever willfully fails to report shall be fined not more than \$10,000 and, if an individual, may be imprisoned for not more than one year, or both. Any officer, director, employee, or agent of any corporation who knowingly participates in such violation, upon conviction, may be punished by a like fine, imprisonment, or both. (22 U.S.C. 3105)

Notwithstanding any other provision of the law, no person is required to respond to, nor shall any person be subject to a penalty for failure to comply with, a collection of information subject to the requirements of the Paperwork Reduction Act, unless that collection of information displays a currently valid OMB Control Number. The control number for this survey is at the top of Form BE-605.

Confidentiality – The Act provides that your report to this Bureau is CONFIDENTIAL and may be used only for analytical or statistical purposes. Without your prior written permission, the information filed in your report CANNOT be presented in a manner that allows it to be individually identified. Your report CANNOT be used for purposes of taxation, investigation, or regulation. Copies retained in your files are immune from legal process.

DEFINITIONS

United States, when used in a geographic sense, means the several States, the District of Columbia, the Commonwealth of Puerto Rico, and all territories and possessions of the United States.

Foreign, when used in a geographic sense, means that which is situated outside the United States or which belongs to or is characteristic of a country other than the United States.

Person means any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization (whether or not organized under the laws of any State), and any government (including a foreign government, the United States Government, a State or local government, and any agency, corporation, financial institution, or other entity or instrumentality thereof, including a government-sponsored agency).

Foreign person means any person resident outside the United States or subject to the jurisdiction of a country other than the United States.

Direct investment means the ownership or control, directly or indirectly, by one person of 10 per centum or more of the voting securities of an incorporated business enterprise or an equivalent interest in an unincorporated business enterprise.

Foreign direct investment in the United States means the ownership or control, directly or indirectly, by one foreign person of 10 per centum or more of the voting securities of an incorporated U.S. business enterprise or an equivalent interest in an unincorporated U.S. business enterprise, including a branch.

Branch means the operations or activities conducted by a person in a different location in its own name rather than through an incorporated entity.

Affiliate means a business enterprise located in one country which is directly or indirectly owned or controlled by a person of another country to the extent of 10 per centum or more of its voting stock for an incorporated business or an equivalent interest for an unincorporated business, including a branch.

U.S. affiliate means an affiliate located in the United States in which a foreign person has a direct investment.

Foreign parent means the first foreign person in the ownership chain of the U.S. affiliate.

Affiliated foreign group means (i) the foreign parent, (ii) any foreign person, proceeding up the foreign parent’s ownership chain, which owns more than 50 per centum of the person below it up to and including that person which is not owned more than 50 per centum by another foreign person, and (iii) any foreign person, proceeding down the ownership chain(s) of each of these members, which is owned more than 50 per centum by the person above it.

Foreign affiliate of foreign parent means, with reference to a given U.S. affiliate, any member of the affiliated foreign group owning the affiliate that is not a foreign parent of the affiliate.

U.S. corporation means a business enterprise incorporated in the United States.

Business enterprise means any organization, association, branch, or venture which exists for profitmaking purposes or to otherwise secure economic advantage, and any ownership of any real estate.

Banking covers business enterprises engaged in deposit banking or closely related functions, including commercial banks, Edge Act corporations engaged in international or foreign banking, foreign branches and agencies of U.S. banks whether or not they accept deposits abroad, U.S. branches and agencies of foreign banks whether or not they accept domestic deposits, savings and loans, savings banks, and bank holding companies, i.e., holding companies for which over 50 percent of their total income is from banks which they hold. (U.S. branches of foreign banks are U.S. persons; conversely, foreign branches of U.S. banks are foreign persons.)

REPORTING REQUIREMENTS

Who must report – A Form BE-605 is required from every U.S. business enterprise, except a U.S. banking affiliate, in which a foreign person had a direct and/or indirect ownership interest of 10 percent or more of the voting stock if an incorporated business enterprise or an equivalent interest if an unincorporated business enterprise at any time during the reporting period. Note, however, that a U.S. affiliate that is **indirectly** foreign owned and has no direct transactions or positions with a foreign parent (or foreign affiliate of the foreign parent) at any time during the year is exempt from filing a Form BE-605 provided the Certificate of Exemption on page 3 of Form BE-605 is (or has been) filed.

Reports are required even through the foreign person’s equity interest in the U.S. business enterprise may have been established, acquired, liquidated, sold, or inactivated during the reporting period.

For reporting foreign direct investment in U.S. banking affiliates, use related Form BE-605 Bank, Transactions of U.S. Banking Affiliate with Foreign Parent.

Consolidated reporting by U.S. affiliate – A U.S. affiliate should file on a fully consolidated basis, including in the consolidation all other U.S. affiliates in which it directly or indirectly owns more than 50 percent of the outstanding voting interest, except that banking operations must be reported separately from other consolidated operations. (Foreign subsidiaries of the U.S. affiliate should **not** be included in the consolidation, except as provided below under the equity method.) Separate reports may be filed where a given U.S. affiliate is not normally consolidated due to unrelated operations or lack of control, provided written permission has been requested from and granted by BEA.

A listing of the names and addresses of the U.S. affiliates included in the consolidation should be provided with the first filing and then updated as necessary. The list should indicate each U.S. affiliate’s direct owner and the percentage of direct ownership interest held.

NOTE: If a U.S. affiliate in a consolidated group is both directly and indirectly owned by the same foreign parent, the foreign parent’s indirect equity interest and any direct transactions or positions between the affiliate and its foreign parent should be included in the report for the consolidated group. A separate BE-605 should be filed to report the foreign parent’s **direct equity** interest. However, Parts III, IV, and VI should **not** be completed because those data should be included in the report for the consolidated group.

REPORTING REQUIREMENTS – Continued

Method of accounting for equity investments in business enterprises that are not fully consolidated –

A U.S. affiliate’s equity investment in all foreign business enterprises and in U.S. business enterprises that are not fully consolidated should be accounted for as detailed below. Foreign business enterprises must not be fully consolidated with the U.S. affiliate no matter what the percentage ownership. When equity investments are included under the equity basis, intercompany account items **MUST NOT** be eliminated.

- (1)** Generally, investment in those business enterprises owned 20 percent or more (including those that are majority-owned) should be reported using the equity basis. However, immaterial investments may be reported using the cost basis provided this basis is consistent with normal reporting practice.
- (2)** Investment in those business enterprises owned less than 20 percent normally should be reported using the cost basis.

Multiple foreign parents – If two or more foreign persons hold reportable equity interests in a U.S. affiliate, a separate report should be filed to report transactions or accounts with each foreign parent. Report transactions or accounts with foreign affiliates of a foreign parent, whether in the same or in a different foreign country as the foreign parent, in Part VI of the BE-605 form for that foreign parent; do not file a separate Form BE-605 to report these transactions.

Exemption – A U.S. affiliate is not required to file a report if each of the following three items for the U.S. affiliate (not the foreign parent’s share) is equal to or less than \$30 million, either positive or negative:

- (1)** Total assets,
- (2)** Annual sales of gross operating revenues, excluding sales taxes (not gross margin), and
- (3)** Annual net income (loss) after provision for U.S. income taxes.

If any one of the three items above exceeds the exemption level, either positive or negative, the U.S. affiliate must report. Quarterly reports for a year may be required retroactively when it is determined that the exemption level has been exceeded. If a U.S. affiliate’s total assets, sales, or net income (loss) exceeded the exemption level in a given year, it is deemed that the exemption level will also be exceeded in the following year.

A U.S. affiliate claiming exemption from filing a report must complete the Certificate of Exemption and 1) give the levels of the three items above, 2) complete the "Person to Consult" and "Certification" sections on page 3 of Form BE-605, and 3) return the entire form to BEA at the address noted on page 1.

GENERAL INSTRUCTIONS

Filing of report – Send reports filed by mail through the U.S. Postal Service to: U.S. Department of Commerce, Bureau of Economic Analysis, BE-49(Q), Washington, DC 20230. Address reports filed by direct private delivery to: U.S. Department of Commerce, Bureau of Economic Analysis, BE-49(Q), Shipping and Receiving Section M-100, 1441 L Street, NW, Washington, DC 20005.

Form BE-605 is a quarterly report. File a single copy of each report within 30 days after the close of each calendar (or fiscal) quarter, except for the final quarter of the calendar (or fiscal) year, when reports should be filed within 45 days. Direct requests for extension of the filing date, additional forms, or clarification of the reporting requirements or instructions to the appropriate address shown above.

Currency amounts – should be reported in thousands of U.S. dollars. If an amount is between ± \$500, enter "0." Use parentheses to indicate negative numbers.

Accounting methods and records – Generally accepted U.S. accounting principles should be followed, unless otherwise specified. Corporations should use the same methods and records that are used to generate reports to stockholders except where the instructions indicate a variance.

Reports for unincorporated businesses should be generated on an equivalent basis.

Reference to Financial Accounting Standards Board statements are referred to as "FASB" statements.

Estimates – If actual amounts are not available, supply estimates and label them as such. When a data item cannot be fully subdivided as required, supply a total and an estimated breakdown of the total.

Retention of copies – Retain a copy of all reports filed for 3 years beyond the report’s original due date.

Assistance – For assistance, telephone (202) 606–5577 between 8:30 a.m. and 4:30 p.m. eastern time. Forms can be obtained from BEA’s web site at: **www.bea.doc.gov/bea/surveys/fdiusurv.htm**

Revisions – File revisions to any prior period data either by letter, if the revisions are minimal, by noting charges on a file copy of the previously completed form, or by completing a revised form in its entirety and refiling it.

SPECIFIC INSTRUCTIONS

A U.S. affiliate that is only indirectly foreign owned (item 7 must be marked), but is required to file a separate report on Form BE-605 because it has direct transactions or positions with the foreign parent or foreign affiliates of the foreign parent, should complete only Parts I, III, IV, and VI, as applicable.

All U.S. affiliates, whether directly or indirectly foreign owned, must complete Part VI, page 2, if the U.S. affiliate has direct transactions with foreign affiliates of the foreign parent.

PART II

Item 11 – Report net income (loss) on a quarterly basis, **NOT on a cumulative or year-to-date basis.**

Report the amount that represents the foreign parent’s equity, based on its directly held equity interest in the U.S. affiliate’s net income (loss) for the quarter, before provision for all common dividends and preferred dividends owed to foreign parent(s), and before any deduction for U.S. withholding taxes on dividends, but after provision for U.S. Federal, State, and local income taxes. U.S. affiliates in extractive industries should report net income before depletion charges, except charges representing the amortization of the actual cost of capital assets.

Items 11 through 17 – Enter data for the current quarter in column 1; use column 2 to correct data that were incorrect, revised, or were not given in the preceding quarter.

Do not delay filing because current-quarter data are not available. Estimates may be used where necessary to file a timely report.

If this report is for the U.S. affiliate’s direct transactions or accounts with a foreign parent that **does not** hold a direct equity interest, the foreign parent’s share in net income should be zero on this Form BE-605 (but included in the report filed by the U.S. affiliate identified in item 9). If the foreign parent holds both a direct and an indirect equity interest, only the share representing the direct equity interest should be given in this item; the indirect equity interest should be reported by the U.S. affiliate identified in item 9.

Items 12a and b – Certain realized and unrealized gains (losses) include:

- (1)** Gains or losses from the sale, disposition, or revaluation of investment securities. (Dealers in financial instruments (including securities, currencies, derivatives, and other financial instruments), and finance and insurance companies, see special instructions below.)
- (2)** Gains or losses from the sale, exchange, write-off, or revaluation of land, other property, plant, and equipment, or other assets. (Real estate companies, see special instructions below.) However, gains or losses from the sale of inventory assets in the ordinary course of trade or business should not be included.
- (3)** Gains or losses from remeasurement of the U.S. affiliate’s foreign-currency-denominated assets and liabilities due to change in foreign exchange rates during the period and transaction gains (losses) taken to income in accordance with FASB 52.
- (4)** Gains or losses due to extraordinary items (except legal judgements and accidental damage to fixed assets).
- (5)** Material gains or losses resulting from unusual or infrequently occurring items.

SPECIFIC INSTRUCTIONS – Continued

The foreign parent’s share of such gains and losses included in your income statement should be reported in item 12a after provision for U.S. Federal, State, and local income taxes. The foreign parent’s share of such gains and losses not included in your income statement, but taken to other comprehensive income or to another equity account, such as certain changes in the valuation of financial instruments per FASB 115, should be reported in item 12b, after provision for U.S. Federal, State, and local income taxes. Do **not** include foreign currency translation adjustment; report such adjustment in item 13.

Special instructions for certain realized and unrealized gains (losses) for dealers in financial instruments and finance, insurance, and real estate companies.

1. Dealers in financial instruments (including securities, currencies, derivatives, and other financial instruments) and finance and insurance companies – Include in item 11 – Net income (loss) – and in item 12.a.

- (1) impairment losses, as defined by FASB 115,
- (2) realized gains or losses on trading or dealing, and
- (3) unrealized gains or losses due to changes in the valuation of financial instruments that flow through the income statement.

Include in item 12.b unrealized gains or losses due to changes in the valuation of financial instruments that are taken to other comprehensive income.

Include income from fees and commissions in item 11 – Net income (loss). DO NOT include income from fees and commissions in item 12.a or in item 12.b.

2. Real estate companies – Report gains or losses from the sale, disposition, or revaluation of land, other property plant and equipment, or other assets as follows:

Realized gains and losses

Include gains or losses from the sale of real estate in the ordinary course of trade or business in item 11 – Net income (loss); DO NOT include these gains and losses in item 12.a. or in item 12.b.

Impairment of long-lived assets

Include impairment losses, as defined by FASB 121, and recognized during the period, in item 11 – Net Income (loss) – and in item 12.a.

Unrealized gains

Include gains recognized due to the revaluation of real estate assets in item 12.b. DO NOT include these unrealized gains in item 11 – Net income (loss) – or in item 12.a.

Item 13 – Report foreign parent’s share of your foreign currency translation adjustment resulting from the translation of foreign affiliate financial statements from the affiliates’ functional currencies into the U.S. dollar. Compute the adjustment in accordance with FASB 52 or other current standards of the Financial Accounting Standards Board. Report the translation adjustment on a quarterly basis, **not** on a cumulative or year-to-date basis.

Items 14 and 17 – Report dividends or distributed earnings as of the date they were either paid or entered into intercompany accounts (item 23), whichever occurred first. Any subsequent settlement of dividends declared but not paid should **not** be reported a second time, but should be reflected only as a reduction in item 23. Do **not** include stock and liquidating dividends in item 14.

PART III

Items 18–22 – Report amounts as of the date they were either received, paid, or entered into intercompany accounts between the payor and payee, whichever occurred first. Include amounts for which payment was made in kind. For an item entered into intercompany account prior to the reporting period, any subsequent settlement of the account should not be reported a second time, but should be reflected only as a reduction in intercompany account items 23 and 24.

Item 20 – Include rentals for operating leases of one year or less and net rent on operating leases of more than one year. Net rent is equivalent to the total lease payment less the return of capital (depreciation) component. Exclude film and television tape rentals.

Item 22 – Include allocated expenses (such as R & D assessments) or reimbursements for management, professional, technical, or other services that normally would be included in "other income" in the income statement of the provider of the service and payments or receipts for services that are separately billed and that would normally be included in sales or gross operating revenues of the seller of the services. Telecommunications carriers should **not** include payments and receipts for message telephone services. Report data for these services on Form BE-20 (Benchmark) or BE-22 (Annual) Survey of Selected Services Transactions with Unaffiliated Foreign Persons.

PART IV

Items 23 and 24 – Include all intercompany accounts or indebtedness of the U.S. affiliate with the foreign parent whether current or long-term. (See Part VI for reporting transactions with foreign affiliates of the foreign parent.) Note that the current quarter’s opening balance should be equal to the previous quarter’s closing balance; therefore, if it is necessary to translate the balances to U.S. dollars, use the same exchange rate to translate the opening balance for the current quarter as was used to translate the closing balance for the previous quarter. If the closing balance on the preceding quarter’s report was in error, **note the correction**. Entries in items 23 and 24 should be consistent with entries in items 18–22 insofar as they reflect the latter entries. For example, film rentals shown in item 21 and accrued but not paid by the U.S. affiliate in the current quarter should be included in item 23.

If leases between the U.S. affiliate and the foreign parent are capitalized, then the outstanding capitalized value should be reported in item 23 or 24 as an intercompany balance. Lease payments should be disaggregated into the amount which is (a) a reduction in the intercompany balance, which would be reported in one of these items, and (b) interest, which would be reported in item 18.

PART V

Items 25–31 – Entries in Part V are necessary to identify the amount and cause of any changes in equity holdings by the foreign parent in the U.S. affiliate during the quarter. Report the market value of consideration given, received, or owed for increases or decreases in the foreign parent’s equity holdings in the U.S. affiliate. Exclude changes caused by carrying net income to the equity account, the payment of stock or cash dividends (other than liquidating dividends), or the distribution of earnings during the period. Exclude effect of treasury stock transactions with persons other than the foreign parent and reorganizations in capital structure that do not affect total equity.

Item 25 – Incorporated U.S. affiliate – Report purchases of capital stock by the foreign parent from the U.S. affiliate and other contributions by the foreign parent of equity capital not resulting in the issuance of stock to the foreign parent by the U.S. affiliate.

Unincorporated U.S. affiliate – Report the foreign parent’s share of any increase in the U.S. affiliate’s equity (or home office account), excluding amounts reported in Parts II and IV.

Item 26 – Incorporated U.S. affiliate – Report sales of capital stock by the foreign parent to the U.S. affiliate, returns of contributed equity capital to the foreign parent not resulting in a reduction of issued stock, and distributions to the foreign parent (excluding amounts reported in Parts II and IV) following total liquidation of the U.S. affiliate.

Unincorporated U.S. affiliate – Report the foreign parent’s share of any decrease in the U.S. affiliate’s equity (or home office account), excluding amounts reported in Parts II and IV.

Item 32 – Report the book value of the transaction reported in items 25 through 30, above. Exclude changes caused by carrying net income to the equity account, payment of stock or cash dividends – other than liquidating dividends – distribution of earnings, and treasury stock transactions.

PART VI

Report direct transactions during the quarter with foreign affiliates of the foreign parent in accordance with column headings. **Do not include transactions already reported in Parts III and IV of this form.** In Section A, report payments and liabilities to, and in Section B, report receipts and receivables due from, foreign affiliates of the foreign parent. In the country column, enter only one foreign country per line. If more lines are needed in order to list all countries, use additional sheets as necessary. A copy of Part VI may be used for this purpose. Note, however, that only countries with an amount of \$500 thousand or more must be reported on separate lines. Countries for which all amounts are less than \$500 thousand may be combined on line 45, "Unallocated by country," for U.S. affiliate’s payments and liabilities and on line 58, "Unallocated by country," for U.S. affiliate’s receipts and receivables.

SPECIFIC INSTRUCTIONS – Continued

PART VII

Items 60–69 – Complete once a year, not later than the second filing following the close of the calendar year (or fiscal year if the U.S. affiliate's books are not kept on a calendar year basis). For example, following the end of the calendar year, this section must be completed on the report due within 30 days after the close of the first quarter, or April 30. If actual amounts are not available, supply estimates and label them as such. When a data item cannot be fully subdivided as required, supply a total and an estimated breakdown of the total.

Items 62–64 – Same instructions as for items 11, 12, and 13, except that these items refer to the annual amount for the year designated in item 60.

Items 65–68 – Report the foreign parent's share of the owner's equity items of the U.S. affiliate as of the end of the year shown in item 60. Item 66 must be computed on the equity method consistent with items 11 and 62.

Item 69 – Report payments and receipts of allocated expenses and sales of services broken down by type. On an annual basis, include payments and receipts between the U.S. affiliate and its foreign parent(s) as reported in item 22 for each quarter and also with foreign affiliates of the foreign parent (FAFP) as reported in item 46, column (8) and item 59, column (8). Report the breakdown as follows:

a. Insurance services – To avoid duplication with other BEA surveys, report only payments or receipts for transactions between any member of the affiliated foreign group that is an insurance company and those parts of the fully consolidated U.S. affiliate that are not insurance companies.

- In column (1), report payments of premiums by the U.S. affiliate for the purchase of primary insurance sold to it by any member of the affiliated foreign group that is an insurance company.
- In column (2), report losses on such insurance recovered by the U.S. affiliate.

b. Financial Services – Report payments and receipts for the following types of financial services:

- Brokerage – including foreign exchange brokerage,
- Private placement of securities,
- Underwriting of securities,
- Financial management,
- Credit-related services,
- Financial advisory and custody services,
- Securities lending,
- Origination fees in connection with over-the-counter derivative financial instruments, but only if the fees are separately identified in transaction documentation issued by the dealers in the instruments to the customers, and are not considered undifferentiated components of overall trading or marketmaking gains,
- All other financial services – including
 - asset pricing,
 - security exchange listing fees,
 - demand deposit fees,
 - securities rating services,
 - electronic funds transfer,
 - check processing fees,
 - mutual fund exit fees, load charges, and "12b-1" service fees,
 - securities redemption or transfer,
 - ATM network services,
 - securities or futures clearing and settling services.

Do not report as financial services:

- Fees for commodity or merchandise brokerage services,
- Earnings from buying and selling (i.e., trading) commercial paper or other securities for your own account,
- Gains or losses due to selling or revaluing securities,
- Funding for sales promotion and representative offices (report in item 69g.)
- Interest under repurchase or reverse repurchase agreements,
- Earnings from dealer markups on buy and sell transactions (i.e., bid/ask price spreads),
- Real estate brokerage fees,
- Business brokerage fees,
- Annuity purchases and payments to annuitants,
- Pension fund contributions and benefits,
- Earnings of principals from buying and selling of financial instruments,
- Bid/ask price spreads and trading profits on dealing in foreign currencies, securities, and other financial instruments,
- Insurance premiums and losses, and commissions on insurance,
- Interest and dividend receipts and payments.

c. Transportation – Report payments by the U.S. affiliate to the foreign parent or FAFP for carrying merchandise from foreign destinations to the United States **and between foreign destinations**; report receipts by the U.S. affiliate from the foreign parent and FAFP for carrying merchandise from the United States to foreign destinations and for carrying freight between foreign destinations.

d. Computer and information services – Report payments and receipts for:

1. Data entry processing (both batch and remote), and tabulation; computer systems analysis, design, and engineering; custom software and programming services (including web site design); integrated hardware/software systems; and other computer services (e.g., timesharing, maintenance, web site management, and repair).
2. Business and economic data base services, including business news, stock quotation, and financial information services; medical, legal, technical, demographic, bibliographic, and similar data base services; general news services, such as those purchased from a news syndicate; direct non-bulk subscriptions (including online) to newspapers and periodicals; and other information services, including reservation systems and credit reporting and authorization systems. For airline reservation systems, includes booking fees from foreign carriers for the use of your reservation system, whether accessed directly or by a U.S. or foreign travel agent.

e. Management and consulting services – Include (1) Management services, except management of health care facilities; (2) consulting services, except computer consulting and engineering services related to actual or proposed construction or mining services projects.

f. Research, development, and testing services – Commercial and noncommercial research, product development services, and testing services.

g. Other services – Report payments and receipts for other services that are separately billed and that would normally be included in sales or gross operating revenues of the seller of the services and allocated expenses or reimbursements for professional, technical, public relations, or other services that would be included in "other income" in the income statement of the provider of the services. Telecommunications carriers should **not** include payments and receipts for message telephone services: report data for these services on Form BE-20 (Benchmark) or BE-22 (Annual) Survey of Selected Services Transactions With Unaffiliated Foreign Persons.